

# Guideline looks to lift domestic demand

China eyes investment, consumption growth after optimizing COVID-19 rules

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China's recent guideline focusing on the expansion of domestic demand is a significant effort to boost the economy after years of being impacted by COVID-19, and is expected to increase consumption, which is seen as an important fulcrum for recovery this year, experts and analysts said.

Jointly released in mid-December by the Communist Party of China Central Committee and the State Council, China's Cabinet, the guideline laid out measures to boost domestic demand and set targets to be reached by 2035. These include raising the overall scale of consumption and investment to new heights, and establishing a sound domestic demand mechanism.

The guideline stated that by 2035, new levels of industrialization, informatization, urbanization and agricultural modernization will have been achieved. In addition, livelihoods will have been improved, and China's advantages in terms of global economic cooperation and competition will have been enhanced.

To achieve these goals, efforts will be made to boost investment in consumption, optimize the current distribution pattern, make supply-side improvements and stabilize economic circulation during the 14th Five-Year Plan (2021-25) period.

Boosting domestic demand will help the country pursue higher-quality economic growth and cope with external risks and challenges, the guideline stated.

As this year also marks China's emergence from the impact of COVID-19 and in which economic activities are returning to normal, experts and market analysts see the guideline as a strong boost to both short- and long-term recovery.

Gao Ruidong, chief macroeconomist at Everbright Securities, said that the new guideline will boost growth and the economy by enhancing the fundamental roles of consumption and investment and improving the quality of supply.

"On the consumption front, we believe based on what's said in the guideline, that the key to expanding consumption lies in services and in expanding new and green consumption. Regarding investment, we believe that technological upgrades and new infrastructure are key to keeping investments stable," he said.

"And in terms of the supply side, we believe efforts will be made to develop new products that satisfy new demand, to preserve food safety and to maintain stability in production and supply chains."

Specifically, the guideline stated that steps will be taken to increase



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infrastructure investment in energy, transport, logistics and water conservancy, as well as in 5G, AI and big data, and that more funding will be channeled into the advanced manufacturing sector.

Gao said that the timing of the guideline is significant because weakening domestic demand has been a major obstacle to China's economic recovery since the second half of last year. A clear policy signal toward greater investment in the aforementioned fields is expected to quickly generate investment this year.

"We've noticed that the optimization of pandemic control measures since late last year has created an enabling environment for the recovery of domestic demand," he

said. "But at the same time, external demand is being hampered by high inflation overseas and the rising risks of a global recession. Declining international demand may hinder exports from China, therefore the growth of domestic demand is extra important to this year's recovery."

China's economy has been on a fast track to recovery since late December. Consumer inflation last month accelerated as the country reopened its borders, and the Lunar New Year holiday notably spurred demand, with the consumer price index growing by 2.1 percent from a year earlier.

In addition, while consumer prices are expected to pick up this year as the economy recovers, most

analysts don't expect China to face the inflation that the US and other countries did when they began to relax COVID-19 restrictions.

The guideline also stressed the need to improve the quality of supply to better meet demand, perfect the modern market and circulation systems to facilitate the link between production and demand, and deepen reform and opening-up to strengthen the growth momentum of domestic demand.

Considering the challenges growth faces globally, economists point out that macroeconomic policies also need to be factored in to effectively lift domestic demand this year. For example, fiscal and financial policies working in sync will better spur investment.

"Expanding investment will help China shore up weak links in development, keep employment broadly stable and boost consumption. This year, fiscal and financial policies need to work in synergy to catalyze investment through means such as financial subsidies and interest discounts, so that the role of financial tools in generating investment can be better brought into play and more funds go toward investment," said Yang Zhiyong, a researcher with the Chinese Academy of Social Sciences.

"Also, the coordination of fiscal, financial, taxation, industrial and technology policies need to be enhanced so that the quantity and quality of effective investment will increase."

## Supply-side reform key to boosting recovery of economy, experts say

By ZHANG YUE in Beijing  
and ZHU LIXIN in Hefei

While expanding domestic demand has been touted as an important means of promoting economic growth in China, experts noted that a recently released guideline has stressed the importance of simultaneously deepening supply-side reform.

"In order to formulate a strong, dynamic domestic market, the Chinese economy is in pursuit of a more dynamic equilibrium in which demand impacts supply and supply generates greater demand," said Gao Ruidong, chief macroeconomist at Everbright Securities.

With the Chinese economy beginning to rebound from the impact of the COVID-19 epidemic, the pent-up potential of consumption is being unleashed.

Zhang Junwei, a research fellow at the department of macroeconomic research at the Development Research Center of the State Council, said the timely optimization of China's epidemic control measures has helped reduce market uncertainty over the past two months and is conducive to expanding domestic

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Zhang Junwei, research fellow, Development Research Center

demand and recovery.

"The importance of expanding domestic demand differs depending on the stages of China's economic growth. Currently, it is the most direct solution for shoring up inadequate demand in China," he said. "Of all the efforts underlined by the new guideline, the key is promoting the enthusiasm of both the government and the market, particularly when global growth prospects are gloomy and the world is faced with a sluggish economic recovery."

Since the guideline's release in December, businesses have seen evidence of China's economic rebound

and have outlined their production goals for this year in accordance with the policies in the document.

According to the guideline, incentivizing the new energy sector is key to boosting supply-side upgrades and developing new strategically emerging industries. For this reason, He Zhiqi, senior vice-president of NEV manufacturer BYD in Hefei, Anhui province, said that he has strong confidence that demand in the NEV market will continue to grow this year.

"We have seen how red-hot the market has been since late last year. In December, our sales of new energy vehicles came in at approximately 235,200 units, a year-on-year increase of more than 150 percent," he said. "Recently, the central government has stated that efforts will be made to prioritize the recovery and expansion of domestic demand, and NEVs have played an integral role in this process. We are confident that market demand for NEVs this year will continue to grow steadily, and we will make greater efforts to improve our NEV technologies."

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### Policy Digest

#### Authorities ramp up crackdown on monopolies

Chinese authorities have investigated and dealt with 187 cases related to the formation of monopolies last year amid efforts to strengthen the crackdown on such conduct and promote fair competition, the country's top market regulator said.

According to a report published Thursday on the website of the State Administration for Market Regulation, more than 784 million yuan (\$114.84 million) in fines were issued in these cases.

The administration said that progress was made last year in improving laws and regulations related to monopolies, strengthening supervision and law enforcement in key fields and carrying out multiple measures to secure fair competition. Also last year, the Anti-Monopoly Law was revised for the first time in 15 years.

Such efforts have helped boost confidence in the development of the country's more than 160 million businesses, and will spur their competitiveness and drive innovation, it said.

This year, the administration said it will improve supervision over companies to prevent monopolies.

#### Tour buses must ensure access to seat belts

Chinese authorities said tour buses must have seat belts to ensure passenger safety, according to a notice jointly issued by the Ministry of Culture and Tourism, the Ministry of Public Security and the Ministry of Transport.

The notice, which was published on Friday, said the regulation aims to reduce the number of casualties caused by traffic accidents.

It said that travel agencies must clearly state the availability of seat belts when entering into a contract with companies that provide chartered buses for tourists.

These companies are responsible for ensuring that every passenger has access to seat belts, the notice said. Buses with seat belts that are faulty should not carry tourists until they have been repaired.

Local public security authorities are also required to check that seat belts are being used.

These checks should be conducted near expressway toll stations, service zones and scenic areas where there will be more medium- and large-sized passenger buses, it said.

#### GBA talent eligible for multiple-entry visas

Talented individuals working in certain sectors in the Guangdong-Hong Kong-Macao Greater Bay Area will be eligible for multiple-entry visas to the Hong Kong and Macao special administrative regions starting from Feb 20, according to a statement issued by the National Immigration Administration on Thursday.

The move seeks to facilitate scientific research and academic exchanges for talent in the area and promote the development of the GBA, the statement said.

According to the administration, those eligible for the visas include people who have made outstanding contributions to the area's development, as well as those working in such sectors as science and research, education, health and legal.

Candidates will be able to apply for visas ranging from one to five years, depending on the eligibility category they fall under. The permits will allow multiple visits between the Chinese mainland, Hong Kong and Macao for stays of no longer than 30 days each time, it said.